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SENATE

REPORT
99-415

AUTHORIZING APPROPRIATIONS FOR THE FEDERAL ELECTION COMMISSION FOR FISCAL YEAR 1987

AUGUST 15 (legislative day, AUGUST 11), 1986.—Ordered to be printed

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Mr. MATHIAS, from the Committee on Rules and Administration, submitted the following

SEP 17 1986

REPORT

U. S. GOVT. PUBS.
DEPOSITORY 376

[To accompany S. 2785]

The Committee on Rules and Administration, having considered an original bill (S. 2705) to authorize appropriations for the Federal Election Commission for fiscal year 1987, reports favorably thereon and recommends that the bill do pass.

PURPOSE OF THE BILL

The bill would authorize appropriations for the Federal Election Commission for the fiscal year ending September 30, 1987, in the amount of $12,800,000. The Commission's appropriated funds for fiscal year 1986 totaled $12,433,000, down from $12,765,000, the base level budget recommended by the Office of Management and Budget. The $12,433,000 appropriated level in 1986 was predicated on a government-wide 5 percent pay cut which was never implemented.

The FEC's fiscal year 1987 agency request was in the amount of $14,057,500 and its original base level request amounted to $13,338,500. In view of the current budgetary restraints, the FEC has modified its request to accede to the $12,800,000 level recommended by OMB.

COMMITTEE HEARING

At a hearing April 23, the Committee received testimony on the fiscal year 1987 budget request and on reductions made by the FEC in fiscal year 1986 in order to comply with requirements of Gramm-Rudman-Hollings.

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The 4.3 percent cutback in the operating budget for the current fiscal year has fallen primarily on the Commission's basic function: public disclosue. Specifically, the computerized campaign finance data program, on which the press and the public have come to rely, has been drastically curtailed.

The G-R-H cuts made by the Commission mean a significant reduction in campaign finance information for the 1986 elections. The FEC is no longer entering ino its computer data base:

Contributions from individuals to candidates, contributions from one candidate to another, transfers within a campaign, individual contributions to PAC's and party committees and earmarked contributions and transfers to affiliates.

The pre-election Report On Financial Activity, which has been issued by the FEC in each of the last four elections, has been cancelled.

Finally, all information from election cycles prior to 1984 has been taken off line.

The FEC however has continued the entry of PAC contributions to candidates, independent expenditures, and communication costs by corporations and labor unions.

Hard copies and microfilm of candidate and committee reports will continue to be available.

In testimony before the Committee, Commission witnesses explained that they were required to absorb a total cut of $621,000: first, a loss of $323,000, reflecting the amount of a proposed but unimplemented 5 percent salary reduction, and second, the $535,000 G-R-H cut for a total reduction of $858,000, offset by $237,000, the amount the FEC realized in a reduction of planned rental costs.

Two outside witnesses testified on how the FEC reductions will affect timely and meaningful disclosure. Robert D. Sack, general counsel of the Wall Street Journal, discussed the crucial role played by the press in making the Federal Election Campaign Act work. Computerization of disclosure reports, in his view, is mandated by the spirit and intention of the Act, which attempted to insure the widest dissemination of information obtained under the disclosure law. It is not really disclosure, he asserted, to require people to submit mountains of documents that no one has time to review manually or the ability to analyze electronically. He told the Committee that the FEC decision in making its G-R-H cuts will remove about half of the previously computerized financial disclosure data from the public realm and is ill advised. What is involved here, he said, is the public's ability to govern itself, by having access to information to enable them to make intelligent choices.

Common Cause President Fred Wertheimer said the FEC decision effectively destroys the disclosure that is essential to protect the integrity of the political system. He said that without this data base, the FEC cannot monitor compliance with the Act. He called on the FEC to review personnel policies, salary scales and personnel allotments to identify cost savings which can be made in lieu of cutbacks of computerized disclosure services.

Commission witnesses said that although reductions were made in travel, training, printing, publications, mailings and supplies and in contracts planned by the Clearinghouse on Election Administration, the disclosure program was necessarily the hardest hit.

The Gramm-Rudman-Hollings cut occured before the FEC hired the additional data entry staff needed to handle the increased flow of campaign reports in an election year. Instead of a planned but unimplemented staff level of 245 on a full time equivalent basis, the FEC froze personnel at 234 staff members, the number at the time of the decision to drastically reduce the disclosure program. The FEC asked for a supplemental appropriation of $282,000 to restore the computerized data base program but has not received it.

Committee Action

The Committee is aware of the drastic impact the G-R-H cuts have had and may continue to have on the operations of the FEC. It recognizes however that the Commission is in the best position to make these decisions given its responsibility for administering and interpreting the Act. While the Committee relies on the Commission's judgment in making the current reductions, it trusts the importance of public disclosure is not lost on the FEC and that it will make the best efforts to restore the computerized information program.

With respect to its fiscal year 1987 budget, the Commission has assured the Committee that with a funding level of $12,800,000, essential operations will be maintained, including restoration of the computerized campaign finance data services curtailed under G-R-H pressures in fiscal year 1986. On the basis of that assurance, the Committee recommends an authorization of $12,800,000.

The Committee is aware of the need for this nominal increase over the FEC base budget request of $12,756,000 in fiscal year 1986. In the coming fiscal year, the FEC will be occupying on a full time basis its new and improved quarters at 999 E Street N.W. Its rental costs will be two and a half times more than the approximately $600,000 spent at its old location at 1425 K Street N.W. Rental expense in the coming fiscal year is estimated at $1,408,300, about $75,000 more than the FEC is spending under its current revised budget.

The Committee met on August 12, 1986 with Senators Mathias, Hatfield, Helms, Warner, Garn, Ford, Inouye, and Simon present. With Senator Helms voting in the negative, the Committee ordered reported the accompanying original bill authorizing $12,800,000 for the FEC for fiscal year 1987.

Cost Estimate

In compliance with paragraph 11(a) of rule XXVI of the Standing Rules of the Senate, the estimate of costs of this measure prepared by the Congressional Budget Office pursuant to section 403 of the Congressional Budget Act, is as follows:

READEX FICHE

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, August 14, 1986.

Hon. CHARLES MCC. MATHIAS, Jr.,
Chairman, Committee on Rules and Administration, U.S. Senate, Russell Senate Office Building, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the attached cost estimate for a bill to authorize appropriations for the Federal Election Commission for fiscal year 1987.

If you wish further details on this estimate, we will be pleased to provide them.

With best wishes,

Sincerely,

EDWARD GRAMLICH,
(for Rudolph G. Penner).

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

1. Bill number: Not yet assigned.

2. Bill title: A bill to authorize appropriations for the Federal Election Commission for fiscal year 1987.

3. Bill status: As ordered reported by the Senate Committee on Rules and Administration, August 12, 1986.

4. Bill purpose: The bill authorizes the appropriation of $12.8 million to the Federal Election Commission for fiscal year 1987. The 1986 budget authority is currently $11.9 million, after sequestration under the Balanced Budget and Emergency Deficit Control Act of 1985. The President has requested $12.8 million for 1987.

5. Estimated cost to the Federal Government:

[By fiscal years, in millions of dollars]

	1987	1988	1989	1990	1991
Authorization level	12.8				
Estimated outlays	11.1	1.7			

Including outlays from prior years' appropriations to date, total outlays in 1987 would be $12.7 million, assuming appropriation of the authorized amount.

The costs of this bill fall within budget function 800.

Basis of estimate: This estimate assumes the amount authorized will be appropriated. The estimate of outlays is based on historical spending patterns.

6. Estimated cost to State and local governments: None.

7. Estimate comparison: None.

8. Previous CBO estimate: On May 15, 1986, CBO transmitted a cost estimate for H.R. 4758 to the House Committee on House Administration. The estimated costs of the two versions are the same.

9. Estimate prepared by: James Hearn.

10. Estimate approved by: C.G. Nuckols (for James L. Blum, Assistant Director for Budget Analysis).

REGULATORY IMPACT EVALUATION

FEDERAL ELECTION COMMISSION,
OFFICE OF THE CHAIRMAN,
Washington, DC, May 30, 1986.

Hon. CHARLES McC. MATHIAS,
Chairman, Committee on Rules and Administration,
U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: This is in response to your letter on behalf of the Committee requesting information in connection with the Federal Election Commission's Fiscal Year 1987 authorization request. Enclosed are responses to four questions dealing with the regulatory impact of Commission activities.

Additionally, I would like to take this opportunity to clarify a possible misunderstanding over how the Commission funded its relocation to its new quarters at 999 E Street. Several observers, including some reporters, left the hearing with the misimpression that we diverted $700,000 into our relocation account from our computer operation. The appearance has also been left that had the purported diversion not occurred, we would not have been required to cut our computerized disclosure program in the current year. We need to dispel both misunderstandings.

The Commission did, consciously and unanimously, augment its relocation account by vote taken in open session on February 14, 1985. However, the supplemental monies were derived from an OMB imposed roll back on our projected rent for the old site at 1325 K Street, not our computer operations. Furthermore, the savings amounted to $200,000, not $700,000. At no point were any funds from line activities shifted to the relocation account. I have attached the written recommendation of the Finance Committee on which the Commission voted.

A possible reason for the misunderstanding may be the difference between our total Fiscal Year 1985 budget request of $13,648,000 and the final appropriation we received of $12,900,000. The request was for $850,000 in relocation costs plus $12,798,000 for other items. By the time the Commission testified on its FY 1985 appropriation, it was known and reported to Congress that the original relocation cost estimate was too low and $1,155,000 was a more accurate estimate. The actual appropriation was $1,155,000 for the relocation and $11,745,000 for other items. Subsequently, the Commission received a supplemental $116,000 to cover half of that year's comparability pay raise. As has become the recent norm, we had to absorb the other half.

Thus the Commission did not receive almost $700,000 in requested funds for expanded ADP services and data coding and entry of individual contributions from $200 to $500. Nonetheless, the Commission was able to significantly enhance its computer operations in FY 1985. Two programs of which the Commission is particularly proud were the direct access program and the state access program. In FY 1985, the Commission initiated its direct access program whereby members of the public could, for a fee, access a copy of the agency's disclosure data base, generate their own reports and receive the output on their own computer terminals. We were also able to significantly expand our state access program by

adding more states and making available additional information. As important, though not as visible, were funds spent on additional computer resources. Funds spent in this area enabled the Commission to keep up with the demand for information by the public associated with the 1984 election cycle and address several in-house requirements.

In addition, the Commission began the process of reprocuring a new computer contract that year. While the actual reprocurement was not concluded in FY 1985, as originally planned, this was *not* due to failure to allocate and obligate necessary funds. The reprocurement has been completed in Fiscal Year 1986 and service with a new vendor is to begin on or about October 1, 1986. The reductions in Fiscal Year 1986, while disruptive to the planning process, in no way prevented completion of the reprocurement process.

Furthermore, the reductions in FY 1986 due to Gramm-Rudman-Hollings are not related to the expenditure of funds in FY 1985. As we stated at the hearing, the decision in FY 1986 to reduce staffing costs foreclosed hiring the temporary staff we had planned to code much of the information for the disclosure data base. Therefore, the data entry contract was reduced to reflect the elimination of some types of coded data to be entered. The base computer contract was also reduced to reflect the cutback in data coding and entry, and expected decline in computer usage. These decisions were independent of FY 1985 expenditures and due solely to Gramm-Rudman-Hollings.

At the conclusion of FY 1985, the Commission lapsed to the Treasury $340,000 in unobligated funds, the amount appropriated on the justification that it would be needed to cover increased rent at a new site beginning near the middle of FY 1985. In fact, the move was delayed into the next year and the incremental rent money was not needed for that purpose. Lapsing those funds, rather than diverting them for other purposes, was our commitment to the Congress at the time they were sought.

Even if we could have anticipated the double budget cuts facing us in FY 1986, we could not have applied the $340,000 lapsed in the prior year to help rescue our computerized disclosure program from those cuts. As an annually-funded agency, the Commission may not carry forward any unobligated funds from one year to the next.

With so many separate figures covering several fiscal years discussed in the course of the hearing, we can understand how misperceptions can result. We, therefore, thought it necessary and prudent to set the record straight. Please feel free to contact my office if you believe further information would be helpful to the Committee's deliberations.

Sincerely,

JOAN D. AIKENS, *Chairman.*

Enclosures.

Question 1. An estimate of the number of individuals and businesses to be regulated by the Commission, and a determination of the groups and classes of such individuals and businesses.

Answer. The Commission regulates seven categories of persons and political committees: Presidential candidates and committees;

candidates and committees engaged in races for House and Senate seats; party-related committees; non-party related political committees; individuals or committees making independent expenditures; delegates and delegate committees; and persons making expenditures for communication costs. The table which follows indicates the number of filers in each category, the number of reports and statements filed by each, and the gross receipts and expenditures for the period covering calendar year 1985.

SUMMARY OF DISCLOSURE FILES

	Total filers existing in 1985	Filers terminated as of Dec. 31, 1985	Continuing filers as of Dec. 31, 1985	Number of reports and statements in 1985	Gross receipts in 1985	Gross expenditures in 1985
Presidential	278	24	254	430	$7,954,756	$10,445,149
Candidates	131	1	130			
Committees	147	23	124			
Senate	795	141	654	1,027	73,129,092	41,309,938
Candidates	378	95	283			
Committees	417	46	371			
House	3,482	590	2,892	4,382	71,624,287	52,685,299
Candidates	1,680	406	1,274			
Committees	1,802	184	1,618			
Party	504	43	461	1,009	231,892,354	248,772,276
Delegates	77	13	64	81	1,362	5,040
Nonparty	4,522	530	3,992	12,608	146,488,774	105,486,536
Labor committees	444	56	388			
Corporate committees	1,879	169	1,710			
Membership, trade and other committees	2,199	305	1,894			
Communication cost filers	158	N/A	N/A	180	N/A	30,224
Independent expenditures by persons other than political committees	61	N/A	N/A	87	N/A	75,759

Question 2. The Commission's opinion as to the economic impact of such regulations on the individuals, consumers and business affected.

Answer. The Act is so specific in its requirements that the major economic impact on affected individuals and organizations is directly imposed by the Act, not the implementing regulations.

Question 3. The Commission's opinion of the impact on the personal privacy of the individuals affected.

Answer. Because a purpose of the Federal Election Campaign Act is to provide for the disclosure of contributions and expenditures made in campaigns for Federal office, there is obviously some impact on privacy. Congress felt that this slight impact on privacy was warranted in order to promote the policy of disclosure. Again, it is the Act, rather than implementing regulations, which produces this result.

Question 4. A determination of the amount of additional paperwork that will result from regulations to be promulgated by the Commission during Fiscal Year 1987. This determination may in-

clude, but need not be limited to, estimates of the amount of time and financial costs required of affected parties, showing whether the effects of the authorization request could be substantial, as well as reasonable estimates of the recordkeeping requirements that may be associated with the authorization.

Answer. Since our last correspondence on this subject, the Commission has promulgated revised regulations regarding the following:

Testing the Waters
Repayments by Publicly Financed Candidates
Sunshine Act
Technical Amendments Regarding the Commission's Change of Address

The Commission continues to place high priority upon the reduction of unnecessary paperwork. A major goal of these revised regulations is reduction of the burden of those regulated by the Act. For FY 1987, the Commission is again seeking resources to undertake a systematic review of its regulations.

CHANGES IN EXISTING LAW

In compliance with paragraph 12 of rule XXVI of the Standing Rules of the Senate, changes in existing law made by the bill, S. 1117, as reported by the Committee on Rules and Administration, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, and existing law in which no change is proposed is shown in roman):

SECTION 439c OF TITLE 2, UNITED STATES CODE

SECTION 439c. AUTHORIZATION OF APPROPRIATIONS

There are authorized to be appropriated to the Commission for the purpose of carrying out its functions under this Act, and under chapters 95 and 96 of title 26, not to exceed $5,000,000 for the fiscal year ending June 30, 1975. There are authorized to be appropriated to the Commission $6,000,000 for the fiscal year ending June 30, 1979, $1,500,000 for the period beginning July 1, 1976, and ending September 30, 1976, and $6,000,000 for the fiscal year ending September 30, 1977, $7,811,500 for the fiscal year ending September 30, 1978, [and] $9,400,000 for the fiscal year ending September 30, 1981, *and $12,800,000 for the fiscal year ending September 30, 1987.*

O